



Department of Insurance

State of Arizona

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CHRISTINA URIAS

Director of Insurance

REGULATORY BULLETIN 2006-04 ¹

TO: Surplus Lines Insurers, Surplus Lines Brokers, Insurance Trade Associations and Other Interested Parties

From: Christina Urias
Director of Insurance

Date: March 20, 2006

RE: Establishment of Penalty Rates for Late Surplus Lines Tax Payments

The Arizona Department of Insurance (“Department”) administers Arizona Revised Statutes (“A.R.S.”), Title 20, Chapter 2, Article 4.2, Section 20-417. This Section authorizes the Department to levy a civil penalty of up to twenty-five dollars per day for each day of delinquency if any surplus lines broker fails to remit the surplus lines tax provided for by A.R.S. § 20-416.

To date, the Department has levied a \$25 daily penalty rate regardless of the amount of tax due. When the amount of delinquent tax was small, this practice resulted in civil penalties that were disproportionate to the amount of tax actually due. In an effort to levy a daily rate that more closely correlates to the amount of tax due, the Department is establishing a standard daily penalty rate that will apply to all future assessments for delinquent surplus lines tax payments.

Effective immediately, for delinquent surplus lines tax amounts of \$12,499.99 or less, the penalty rate is 20 cents for each \$100 in late tax payment, per day. For amounts of \$12,500 or greater, the Department will continue to assess a \$25 daily penalty rate. The table presented below provides examples of how the Department will assess this new rate for various amounts of delinquent surplus lines tax due.

Delinquent Surplus Lines Tax Amount	Total Daily Penalty Rate
\$500	\$1 per day
\$1,000	\$2 per day
\$5,000	\$10 per day
\$10,000	\$20 per day
\$12,500 or greater	\$25 per day

If you have any questions regarding this matter, please feel free to contact Kelly Stephens, Financial Affairs Division, at (602) 364-3998.

¹This Substantive Policy Statement is advisory only. A Substantive Policy Statement does not include internal procedural documents that only affect the internal procedures of the Agency, and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this Substantive Policy Statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes Section 41-1033 for a review of the Statement.